



**Lansing, Michigan**

**FINANCIAL STATEMENTS**

**For the Year Ended  
June 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# CAPITAL AREA MICHIGAN WORKS!

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## INDEPENDENT AUDITORS' REPORT

December 11, 2008

Board of Directors  
Capital Area Michigan Works!  
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of ***Capital Area Michigan Works!*** as of and for the year ended June 30, 2008, and the aggregate remaining fund information as of and for the year ended December 31, 2007, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of ***Capital Area Michigan Works!*** as of June 30, 2008, and the aggregate remaining fund information as of December 31, 2007, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the respective years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Organization has not presented Management's Discussion and Analysis as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *Capital Area Michigan Works!* basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of *Capital Area Michigan Works!*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **BASIC FINANCIAL STATEMENTS**

# Capital Area Michigan Works!

## Statement of Net Assets and Governmental Fund Balance Sheet

June 30, 2008

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 322,923	\$ -	\$ 322,923
Accounts receivable	96,888	-	96,888
Due from other governments	1,598,563	-	1,598,563
Prepaid items	55,671	-	55,671
Capital assets being depreciated, net	-	37,669	37,669
<b>Total assets</b>	<u>\$ 2,074,045</u>	<u>37,669</u>	<u>2,111,714</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,500,879	-	1,500,879
Accrued liabilities	113,839	-	113,839
Unearned revenue	2,000	-	2,000
Accrued compensated absences	-	116,171	116,171
<b>Total liabilities</b>	1,616,718	116,171	1,732,889
<b>Fund balances</b>			
Unreserved, undesignated	<u>457,327</u>	<u>-</u>	<u>457,327</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,074,045</u>		
<b>Net assets</b>			
Invested in capital assets		37,669	37,669
Unrestricted		<u>341,156</u>	<u>341,156</u>
<b>Total net assets</b>		<u>\$ 378,825</u>	<u>\$ 378,825</u>

The accompanying notes are an integral part of these financial statements.

**Capital Area Michigan Works!**  
Statement of Activities and  
Governmental Fund Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Intergovernmental:			
Federal grants	\$ 11,641,058	\$ -	\$ 11,641,058
State grants	1,318,264	-	1,318,264
Charges for services	1,280,117	-	1,280,117
Interest earnings	18,503	-	18,503
Other revenues	3,041	-	3,041
	<u>14,260,983</u>	<u>-</u>	<u>14,260,983</u>
<b>Expenditures/expenses</b>			
Workforce development:			
Personnel	2,421,591	17,077	2,438,668
Facilities	791,170	-	791,170
Participant training and support	5,363,695	-	5,363,695
Service delivery costs	4,880,340	-	4,880,340
Other costs and charges	700,734	-	700,734
Depreciation	-	35,335	35,335
	<u>14,157,530</u>	<u>52,412</u>	<u>14,209,942</u>
Change in net assets	103,453	(52,412)	51,041
<b>Fund balance/net assets</b>			
Beginning of year	<u>353,874</u>	<u>(26,090)</u>	<u>327,784</u>
<b>End of year</b>	<u><u>\$ 457,327</u></u>	<u><u>\$ (78,502)</u></u>	<u><u>\$ 378,825</u></u>

The accompanying notes are an integral part of these financial statements.

## Capital Area Michigan Works!

Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Revenues</b>				
Intergovernmental:				
Federal grants	\$ 11,076,363	\$ 11,076,363	\$ 11,641,058	\$ 564,695
State grants	1,313,702	1,313,702	1,318,264	4,562
Charges for services	1,830,000	1,830,000	1,280,117	(549,883)
Interest earnings	4,000	4,000	18,503	14,503
Other revenues	3,500	3,500	3,041	(459)
Total revenues	14,227,565	14,227,565	14,260,983	33,418
<b>Expenditures/expenses</b>				
Workforce development	14,206,000	14,206,000	14,157,530	(48,470)
Change in net assets	21,565	21,565	103,453	81,888
<b>Fund balances/net assets</b>				
Beginning of year	353,874	353,874	353,874	-
<b>End of year</b>	<u>\$ 375,439</u>	<u>\$ 375,439</u>	<u>\$ 457,327</u>	<u>\$ 81,888</u>

The accompanying notes are an integral part of these financial statements.



## **Capital Area Michigan Works!**

### Statement of Fiduciary Net Assets Pension and Other Employee Benefit Trust Funds December 31, 2007

#### **Assets**

##### Investments:

Money market funds	\$ 479,280
Common stocks	1,020,465
Mutual funds	1,280,172
Government securities	46,588
Participant loans	<u>77,767</u>

Total investments	2,904,272
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Cash and cash equivalents	128,957
Contributions receivable	<u>630</u>

#### **Net assets held in trust for pension and other employee benefits**

<u><u>\$ 3,033,859</u></u>
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The accompanying notes are an integral part of these financial statements.

**Capital Area Michigan Works!**  
Statement of Changes in Fiduciary Net Assets  
Pension and Other Employee Benefit Trust Funds  
For the Year Ended December 31, 2007

**Additions to net assets**

Investment income:	
Net appreciation in fair value of investments	\$ 64,010
Interest and dividends	<u>154,978</u>
Total investment income	<u>218,988</u>
Contributions:	
Employer	198,854
Participants	<u>3,760</u>
Total contributions	<u>202,614</u>
Total additions	<u>421,602</u>

**Deductions from net assets**

Participant distributions	175,404
Participant benefits, net of reimbursements	<u>21,244</u>
Total deductions	<u>196,648</u>

<b>Increase in net assets</b>	224,954
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Net assets held in trust for pension benefits:	
Beginning of year	<u>2,808,905</u>
<b>End of year</b>	<u><u>\$ 3,033,859</u></u>

The accompanying notes are an integral part of these financial statements.

## **NOTES to the FINANCIAL STATEMENTS**

# CAPITAL AREA MICHIGAN WORKS!

## Notes to Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Capital Area Michigan Works! (the “government” or “Organization”) was organized to administer various federal and state employment training program funds and other state grants in Clinton, Eaton and Ingham counties.

The Organization administers the day-to-day operations related to the employment and training programs under the direction of the Administrative Board, which is composed of members from the three counties and the cities of Lansing and East Lansing. The Organization is both the administrative entity and the grant recipient for federal, state, local and private funds.

The Organization’s Workforce Development Board is appointed by the Administrative Board and consists of various individuals representing the private sector, government and nonprofit organizations from the three-county area. The Workforce Development Board provides policy guidance and oversight services for all activities of the Organization.

#### B. Government-wide and fund financial statements

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 34, the Organization uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The general fund, the only major individual governmental fund, is reported as a separate column in the aforementioned financial statements.

#### C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial information and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# CAPITAL AREA MICHIGAN WORKS!

## Notes to Financial Statements

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Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Intergovernmental revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports its *general fund* as a major governmental fund. The general fund is the government's primary operating fund. It accounts for all financial activity, including activities associated with providing job training and one-stop center revenue and expenses. Sources include grants received from the state and federal governments.

Additionally, the Organization reports the following fiduciary funds (each of which are reported on a December 31, 2007 year end):

The *employee money purchase pension plan* accounts for the activities of the defined contribution pension plan sponsored by the Organization.

The *deferred compensation plan* accounts for the activities of the Organization's deferred compensation plan.

The *retiree health benefit plan* accounts for the activities of the Organization's postemployment healthcare plan.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

When restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# CAPITAL AREA MICHIGAN WORKS!

## Notes to Financial Statements

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### D. Assets, liabilities and net assets/equity

1. **Deposits and investments.** The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments. The pension and other employee benefit trust funds are authorized by the Michigan Pension Investment Act, as amended, to invest in common stocks, real estate and various other investment instruments. Investments are reported at fair value.
2. **Capital assets.** Capital assets, including vehicles and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years or more. Such assets are recorded at historical cost. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight line method over five years for vehicles and three years for equipment.
3. **Compensated absences.** Individual employees have vested rights upon termination of employment to receive payments for certain paid time off, in accordance with procedures outlined in the personnel policies. These are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the general fund only if they have matured, for example, as a result of employee resignations or retirements.
4. **Fund equity.** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
5. **Federal and state grant revenue.** Grant revenue is recorded when the related qualifying expenditures have been incurred. Amounts received in excess of earned revenues are reported as unearned revenues.
6. **Cost allocation.** Shared costs are allocated to benefiting programs using various allocation methods, depending on the nature of the costs being allocated. Whenever possible, costs are charged directly to each program; shared costs are those costs incurred for the common benefit of two or more programs that cannot be readily attributed to a single cost objective.

# CAPITAL AREA MICHIGAN WORKS!

## Notes to Financial Statements

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7. *Use of estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
8. *Income taxes.* The Organization is a consortium of governments organized under Michigan Public Act 7 of 1967 and is exempt from federal and state income taxes.
9. *Budgetary accounting.* An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The budget document presents information by activity and line item. The Administrative Board approves the original budget at the beginning of the fiscal year; amendments, if any, are approved periodically during the year.

## II. DETAILED NOTES

### A. Deposits and investments

A reconciliation of cash and investments as shown on the statement of net assets to deposits and investments as classified for note disclosure purposes is as follows:

#### Statement of net assets -

Cash and cash equivalents	\$ 322,923
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#### Statement of fiduciary net assets:

Cash and cash equivalents	128,957
Investments	<u>2,904,272</u>
	<u><b>\$ 3,356,152</b></u>

#### Classification of deposit and investments:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 302,980
Investments (general)	148,750
Investments (fiduciary funds)	2,904,272
Cash on hand	<u>150</u>
	<u><b>\$ 3,356,152</b></u>

**Investments (general)** - At June 30, 2008, the Organization's investments amounting to \$148,750 were limited to money market accounts which have no maturity date and are not subject to credit rating.

# CAPITAL AREA MICHIGAN WORKS!

## Notes to Financial Statements

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**Investments (fiduciary funds)** - The fair value of fiduciary fund investments as of December 31, 2007 was as follows:

	<u>Amount</u>	<u>Rating</u>
Money market funds	\$ 479,280	n/a
Common stocks	1,020,465	n/a
Mutual funds	1,280,172	n/a
Government securities -		
U.S. treasuries	46,588	n/a
Participant loans	<u>77,767</u>	n/a
	<u><b>\$ 2,904,272</b></u>	

### **Deposit and investment risk information**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned. State law does not require and the Organization does not have a policy for deposit custodial credit risk. As of year end, \$76,750 of the Organization's bank balance of \$373,120 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Organization does not have a policy for investment custodial credit risk. None of the Organization's investments are subject to custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Organization's investment policy does not have specific limits on concentration of credit risk; there were no holdings in excess of five percent of the total fiduciary fund portfolio balance.

*Interest Rate Risk.* Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of investments. The Organization does not have policies regarding interest rate risk.



# CAPITAL AREA MICHIGAN WORKS!

## Notes to Financial Statements

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### B. Due from other governments

The following is a summary of the amounts due from other governmental units, primarily the Michigan Department of Labor & Economic Growth, for the various grant programs as of June 30, 2008:

Employment Services	\$ 17,056
NWLB – Employment Service	34,997
Prisoner Reentry	893
Work First	295,201
Work First - GF/GP	97,755
GF/GP State Type E Expansion	45,368
WIA Admin Cost Pool	22,723
WIA Adult	252,396
WIA Youth	390,528
WIA Youth - HS Completion (Type N)	8,752
WIA Dislocated Worker	125,754
NWLB Dislocated Worker	38,087
WIA - Work First/TANF Replacement	729
SWA NWLB	39,372
WIA One-Stop Operations	9,807
Incumbent Worker - Statewide Activities	109,676
Disability Program Navigator	21,530
Trade Adjustment Act	60,551
Food Assistance Employment Training	27,388
	<u><u>\$ 1,598,563</u></u>

# CAPITAL AREA MICHIGAN WORKS!

## Notes to Financial Statements

### C. Capital assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment	\$ 355,454	\$ -	\$ -	\$ 355,454
Vehicles	<u>40,615</u>	<u>-</u>	<u>-</u>	<u>40,615</u>
Total capital assets being depreciated	<u>396,069</u>	<u>-</u>	<u>-</u>	<u>396,069</u>
Less accumulated depreciation for:				
Equipment	319,004	27,212	-	346,216
Vehicles	<u>4,061</u>	<u>8,123</u>	<u>-</u>	<u>12,184</u>
Total accumulated depreciation	<u>323,065</u>	<u>35,335</u>	<u>-</u>	<u>358,400</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 73,004</b></u>	<u><b>\$ (35,335)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 37,669</b></u>

### D. Payables

Payables are 100 percent vendors and subrecipients.

### E. Compensated absences

The following is a summary of changes in paid time off for the Organization for the year ended June 30, 2008:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>\$ 99,094</u>	<u>\$ 18,591</u>	<u>\$ 1,514</u>	<u>\$ 116,171</u>

# CAPITAL AREA MICHIGAN WORKS!

## Notes to Financial Statements

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### F. Lease commitment

The Organization leases a facility for operation of its programs. The operating lease payments for the year ended June 30, 2008, were \$522,077. Future minimum lease payments on non-cancelable leases as of June 30, 2008, are as follows:

<u>Year Ended</u>	<u>Amount</u>
2009	\$ 537,250
2010	553,252
2011	566,298
2012	566,298
2013	566,298
2014-2016	<u>1,698,894</u>
Total	<u><u>\$ 4,488,560</u></u>

In the event the Organization's funding is at any time terminated or so reduced as to be inadequate to continue to make the rental payments required by the lease and proper, adequate, and verifiable proof of said funding reduction is provided to the lessor, the lease may be terminated by written notice to the lessor at least 120 days prior to the date on which such termination becomes effective.

### G. Lessor activity

The Organization subleases office space in the One-Stop facility to unrelated third parties. The terms of the leases require varying base rental amounts. Rental income for these leases for the year ended June 30, 2008, totaled \$108,627. Future minimum rental income as of June 30, 2008 is as follows:

<u>Year Ended</u>	<u>Amount</u>
2009	\$ 108,466
2010	12,794
2011	<u>13,068</u>
Total	<u><u>\$ 134,328</u></u>

# CAPITAL AREA MICHIGAN WORKS!

## Notes to Financial Statements

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### H. Adjustments

Following is an explanation of the adjustments between the governmental fund balance sheet and the statement of net assets, which reconciles fund balances to net assets:

<b>Fund balance</b>	\$ 457,327
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**Adjustments:**

Capital assets used in governmental activities are not financial resources and therefore not reported in the general fund.

Add - capital assets	396,069
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Deduct - accumulated depreciation	(358,400)
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Certain liabilities, including amounts due for compensated absences, are not due and payable in the current period and therefore not reported in the general fund.

Deduct - compensated absences	<u>(116,171)</u>
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<b>Net assets</b>	<u><u>\$ 378,825</u></u>
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Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the statement of activities, which reconciles the net change in fund balances to the change in net assets:

<b>Net change in fund balance</b>	\$ 103,453
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**Adjustments:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Deduct - depreciation expense	(35,335)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore not reported as expenditures in the general fund.

Deduct - increase in accrual for compensated absences	<u>(17,077)</u>
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<b>Change in net assets</b>	<u><u>\$ 51,041</u></u>
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# **CAPITAL AREA MICHIGAN WORKS!**

## **Notes to Financial Statements**

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### **IV. OTHER INFORMATION**

#### **A. Employee money purchase pension plan**

The Organization has a defined contribution money purchase pension plan covering substantially all employees. The employer is exempt from the Social Security Retirement System; as such, OASDI (old age, survivors and disability insurance) payroll taxes are not paid. Accordingly, the employer contributes annually an amount equal to 25% of eligible salaries and wages. Employees are not required or allowed to contribute to the plan. The plan assets are managed by Fidelity Investments.

Plan provisions and contribution requirements were established and may be amended, subject to statutory limitations, by the Organization's Administrative Board. For the year ended June 30, 2008, the Organization's total and covered payroll was \$906,530; the employer contribution amounted to \$226,663.

Because the plan assets are, in substance, held by the Organization, the plan is reported as a pension trust fund in the accompanying fiduciary fund financial statements.

#### **B. Deferred compensation plan**

The Organization has established for its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Under the plan, employee contributions are discretionary subject to regulatory limitations. No employer contributions are made to the plan. The value of the plan assets at December 31, 2007 was \$224,840; employee contributions for the year were \$3,760.

Because the plan assets are, in substance, held by the Organization, the plan is reported in the fiduciary fund financial statements as another employee benefits trust fund.

#### **C. Postemployment health care benefits**

The Organization is the sponsor of a postemployment health benefit plan; the plan was effective January 1, 1997. The Retiree Medical Benefit Plan/Trust provides health benefits to qualified retirees and eligible spouses. To qualify, retirees must not be eligible to receive any other substantially equivalent postemployment health benefit from another source, must have completed at least 20 years of service with the sponsor (25 years for spouse's benefit), and age plus years of service must equal or exceed 75. The Organization may periodically contribute such amounts as it determines necessary; for the year ended December 31, 2007, employer contributions were \$14,586. Employees and retirees may not contribute to the plan. The sponsor has the right under the plan to modify the benefits, discontinue contributions and/or terminate the plan. As of June 30, 2008, three retirees were eligible for and receiving benefits under the plan.

# **CAPITAL AREA MICHIGAN WORKS!**

## **Notes to Financial Statements**

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As a phase three government as defined under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Organization is not required to adopt this standard until its fiscal year ending June 30, 2010. While the Organization has elected not to early adopt GASB 45, it has had an annual actuarial valuation of the plan completed. As of December 31, 2007, the date of the latest actuarial valuation of the plan, the actuarial accrued liability for the plan was \$561,125 and the actuarial value of the plan assets was \$215,139, resulting in an unfunded actuarial accrued liability of \$345,986. Further information regarding the actuarial valuation and the related methods and assumptions are provided in that actuarial valuation report.

The retiree health benefit plan is reported in the fiduciary fund financial statements as another employee benefits trust fund.

### **D. Risk management**

The Organization is exposed to various risks of loss including general and automobile liability, property damage, employee dishonesty, and workers' compensation for which the Organization carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

### **E. Pension and Other Employee Benefit Trust Fund Information**

A summary of the financial results as of December 31, 2007 for the employee money purchase pension plan, deferred compensation plan, and retiree health benefit plan are presented on the following pages.

# CAPITAL AREA MICHIGAN WORKS!

## Notes to Financial Statements

### Statement of Plan Net Assets - December 31, 2007

	<b>Employee Money Purchase Pension Plan</b>	<b>Deferred Compensation Plan</b>	<b>Retiree Health Benefit Plan</b>	<b>Total</b>
<b>Assets</b>				
Investments:				
Money market funds	\$ 404,046	\$ 64,635	\$ 10,599	\$ 479,280
Common stocks	764,703	102,826	152,936	1,020,465
Mutual funds	1,223,917	56,255	-	1,280,172
Government securities	-	-	46,588	46,588
Participant loans	<u>77,767</u>	<u>-</u>	<u>-</u>	<u>77,767</u>
Total investments	2,470,433	223,716	210,123	2,904,272
Cash and cash equivalents	108,031	494	20,432	128,957
Contributions receivable	<u>-</u>	<u>630</u>	<u>-</u>	<u>630</u>
<b>Net assets held in trust for pension and other employee benefits</b>	<u><u>\$ 2,578,464</u></u>	<u><u>\$ 224,840</u></u>	<u><u>\$ 230,555</u></u>	<u><u>\$ 3,033,859</u></u>

# CAPITAL AREA MICHIGAN WORKS!

## Notes to Financial Statements

### Statement of Changes in Plan Net Assets - Year Ended December 31, 2007

	<b>Employee Money Purchase Pension Plan</b>	<b>Deferred Compensation Plan</b>	<b>Retiree Health Benefit Plan</b>	<b>Total</b>
<b>Additions to net assets</b>				
Investment income:				
Net appreciation (depreciation) in fair value of investments	\$ 66,747	\$ (5,474)	\$ 2,737	\$ 64,010
Interest and dividends	139,925	8,285	6,768	154,978
Total investment income	206,672	2,811	9,505	218,988
Contributions:				
Employer	184,268	-	14,586	198,854
Participants	-	3,760	-	3,760
Total contributions	184,268	3,760	14,586	202,614
Total additions	390,940	6,571	24,091	421,602
<b>Deductions from net assets</b>				
Participant distributions	102,958	72,446	-	175,404
Participant benefits, net of reimbursements	-	-	21,244	21,244
Total deductions	102,958	72,446	21,244	196,648
<b>Increase (decrease) in net assets</b>	287,982	(65,875)	2,847	224,954
Net assets held in trust for pension and other employee benefits:				
Beginning of year	2,290,482	290,715	227,708	2,808,905
<b>End of year</b>	<b>\$ 2,578,464</b>	<b>\$ 224,840</b>	<b>\$ 230,555</b>	<b>\$ 3,033,859</b>



# **SINGLE AUDIT**

**Capital Area Michigan Works!**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Expenditures
<b>U.S. Department of Agriculture</b>		
Passed-through Michigan Department of Labor and Economic Growth to Michigan Works Agencies: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 228,000
<b>U.S. Department of Labor</b>		
Passed-through Michigan Department of Labor and Economic Growth to Michigan Works Agencies: Employment Services / Wagner-Peyser Funded Activities	17.207	834,666
Reed Act - Work First	17.225	15,105
Trade Adjustment Assistance	17.245	770,506
Work Incentive Grants	17.266	87,579
Workforce Investment Act - Adult	17.258	
Adult		1,654,403
Capacity Building		4,872
Youth High Concentration		5,532
Incumbent Worker		50,887
Performance Incentive		7,996
RSA Information Technology		21,629
RSA Construction		12,759
SWA Support Work First		55,233
Service Center		35,486
Administration and One-Stop Operations		116,290
Total Workforce Investment Act - Adult		1,965,087
Workforce Investment Act - Youth Activities	17.259	
Youth Activities		2,028,000
Capacity Building		6,463
Youth High Concentration		7,339
Incumbent Worker		67,507
Performance Incentive		10,607
RSA Information Technology		23,516
RSA Construction		13,872
SWA Support Work First		65,625
Service Center		47,076
Administration and One-Stop Operations		137,478
Total Workforce Investment Act - Youth Activities		2,407,483

continued...

**Capital Area Michigan Works!**  
**Schedule of Expenditures of Federal Awards (concluded)**  
**For the Year Ended June 30, 2007**

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Expenditures
<b>U.S. Department of Labor (concluded)</b>		
Passed-through Michigan Department of Labor and Economic Growth to Michigan Works Agencies (concluded):		
Workforce Investment Act - Dislocated Workers	17.260	
Dislocated Worker		\$ 1,580,554
Dislocated Worker - NWLB		158,163
Capacity Building		12,665
Youth High Concentration		14,381
Incumbent Worker		132,282
Performance Incentive		20,784
RSA Information Technology		46,427
RSA Construction		27,387
SWA - NWLB		127,512
SWA Support Work First		129,106
Serice Center		92,245
Administration and One-Stop Operations		270,520
Total Workforce Investment Act - Dislocated Workers		<u>2,612,026</u>
<b>Total U.S. Department of Labor</b>		<u>8,692,452</u>
<b>U.S. Department of Health and Human Services</b>		
Passed-through Michigan Department of Labor and Economic Growth to Michigan Works Agencies:		
Temporary Assistance For Needy Families	93.558	<u>2,720,606</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 11,641,058</u></u>

# CAPITAL AREA MICHIGAN WORKS!

## Notes to Schedule of Expenditures of Federal Awards

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### 1. SECTION I - SUMMARY OF AUDITORS' RESULTS

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of Capital Area Michigan Works! (the "Organization"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The reporting entity of Capital Area Michigan Works! is defined in Note I of the Organization's basic financial statements.

### 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note I of the Organization's basic financial statements.

### 3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Organization provided federal awards to subrecipients as follows:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Amount Provided to Subrecipients</b>
Food Assistance Employment Training	10.561	\$ 199,955
Employment Services	17.207	673,433
Reed Act - Work First	17.225	13,439
Workforce Investment Act:		
Adult	17.258	1,580,026
Youth	17.289	1,681,134
Dislocated Worker	17.260	1,495,370
Temporary Assistance for Needy Families	93.558	2,005,044



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

December 11, 2008

Board of Directors  
Capital Area Michigan Works!  
Lansing, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Capital Area Michigan Works!* (the "Organization") as of and for the year ended June 30, 2008, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated December 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Organization's management in a separate letter dated December 11, 2008.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Lehmann Johnson".



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

December 11, 2008

Board of Directors  
Capital Area Michigan Works!  
Lansing, Michigan

**Compliance**

We have audited the compliance of *Capital Area Michigan Works!* (the "Organization") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of the major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, Capital Area Michigan Works! complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

## **Internal Control Over Compliance**

The management of Capital Area Michigan Works! is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by an entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**CAPITAL AREA MICHIGAN WORKS!**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified  
not considered to be material weaknesses?   X   yes        none reported

Noncompliance material to financial statements  
noted?        yes   X   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified  
not considered to be material weaknesses?        yes   X   none reported

Type of auditors' report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?        yes   X   no

**CAPITAL AREA MICHIGAN WORKS!**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)**

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.207	Employment Services
17.245	Trade Adjustment Assistance
17.258-260	Workforce Investment Act

Dollar threshold used to distinguish  
between Type A and Type B programs: \$349,232

Auditee qualified as low-risk auditee?   X   yes        no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2008-1 Internal Controls – Segregation of Duties**

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the organization's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the organization's unique circumstances.

During the course of the audit we noted that:

- Maintenance of the receivable subsidiary ledger is not independent of general ledger maintenance.
- Bank accounts are not reconciled by individuals independent of cash receipts and disbursements functions
- Employees have cash receipt functions and compare deposit slip receipts from the bank to the deposit slip book after the deposit is made
- Employees with receivable and payable responsibilities are not required to have another employee perform those functions when an employee is absent

**CAPITAL AREA MICHIGAN WORKS!**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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- Responsibilities for payroll accounting are not separated from the general ledger function
- Reconciliations of grant financial reports with supporting accounting records are prepared and reviewed by a responsible official before filing, however reports, other than closeout reports, are not approved before filing
- Invoice processing/accounts payable are not segregated from the general ledger function.
- The Board President's signature is electronically applied to all checks; however, neither he nor any other Board member review the checks or invoices.

As is the case with many organizations of similar size, Capital Area Michigan Works lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Essentially, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of an organization's internal controls carries with it a greater risk of fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**SECTION IV – PRIOR YEAR FINDINGS**

No matters were reported.

\* \* \* \* \*



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



December 11, 2008

To the Board of the  
Capital Area Michigan Works  
Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Capital Area Michigan Works* (the "Government") for the year ended June 30, 2008, and have issued our report thereon dated December 11, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated September 15, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Government's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the *Government's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the *Government's* compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable

to each of its major federal programs for the purpose of expressing an opinion on the *Government's* compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the *Government's* compliance with those requirements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 20, 2008.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the *Government* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 11, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *Capital Area Michigan Works* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **Capital Area Michigan Works**

### **Comments and Recommendations**

**For the Year Ended June 30, 2008**

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In planning and performing our audit of the financial statements of the Capital Area Michigan Works as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Government's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Government's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the Government's Single Audit report.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be material weaknesses are described in the Schedule of Findings and Questioned Costs in the Government's Single Audit report.

\* \* \* \* \*